

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11

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AGRE-00 EA-10 /110 W

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R 161645Z JUN 78

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2696

INFO AMEMBASSY BOGOTA

USCINCLANT NORFOLK VA

USINCSO QUARRY HEIGHTS

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 5565

USCINCLANT FOR POLAD

E.O. 11652: NGDS

TAGS: PEPR PINT BBAK ECON EFIN EAGR US VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 5294

SUMMARY; "BRIEFING PAPER" LEADS CAUSE A FUROR. NATIONAL
BUSINESSMEN'S ASSOCIATION HOLDS ANNUAL GATHERING.
DEVELOPMENT CORPORATION FINANCING TO TOTAL \$327 MILLION
IN 1978. MISCELLANY ON THE ELECTION CAMPAIGN. VENEZUEALA'S
AGRICULTURAL OUTLOOK IN 1978 A LITTLE SHAKY. PRC
DELEGATION VISITS, END SUMMARY.

1. THE "BRIEFING PAPER LEAKS." POLITICAL ATTENTION THIS WEEK FOCUSED
ON THE UPI STORIES BASED ON WHITE HOUSE BRIEFING PAPERS FOR PRESIDENT
CARTER'S SOUTH AMERICAN TRIP. THE FIRST STORY AROUSED
INTEREST, BUT THE SECOND TOUCHED OFF A FUROR. IT STATED
THAT THE ACCION DEMOCRATICA (AD) PARTY WAS SUSCEPTIBLE
TO DEFEAT IN THE PRESIDENTIAL ELECTIONS DUE TO MISMANAGEMENT
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OF PETROLEUM INCOME, INFLATION AND CORRUPTION, AND THE WEAK
CANDIDACY OF PINERUA. THE SITUATION WAS FURTHER CONFUSED
BY TWO MORE STORIES. THE FIRST STATED THAT THE US AND
VENEZUELA DIFFERED ON HOW TO RESOLVE THE PROBLEM OF
POLITICAL SUCCESSION IN NICARAGUA WITH QUOTES ON PRESIDENT
PEREZ' VIEWS OF SOMOZA. THE SECOND STORY REPORTED THAT
PRESIDENT CARTER WAS ADVISED TO ASK PEREZ TO PRESS CUAB

TO CEASE ITS AFRICAN INTERVENTION, AS WELL AS REVEALING THE MARCH 16-17 VISIT OF AN FBI-STATE BRIEFING TEAM ON CUBAN EXILE TERRORISM. PRESIDENT PEREZ REACTED SHARPLY TO THE STORY ABOUT THE AD'S ELECTION PROSPECTS BY CALLING THE UPI REPORT AN INSULT TO ALL VENEZUELAS. THE EMBASSY ISSUED A STATEMENT EMPHASIZING THAT THE USG TAKES NO POSITION ON THE VENEZUELAN ELECTIONS AND THAT THE VIEWS IN THE STORY DID NOT IN ANY WAY REFLECT THE POSITION OR POLICY OF THE USG. FOR THE REST OF THE WEEK VARIOUS AD FIGURES DECRIED THE STORY. LATER, FOREIGN MINISTER CONSALVI AND OTHER ATTEMPTED TO DEFUSE THE ISSUE BY STATING THAT BRIEFING PAPERS WERE WORKING LEVEL DOCUMENTS AND NOTED THE EMBASSY'S DENIAL AS WELL AS A LATER DEPARTMENT STATEMENT TO THE SAME EFFECT. THE OPPOSITION COPEI PARTY JUMPED ON THE BANDWAGON, WITH PRESIDENTIAL CANDIDATE HERRERA SAYING THE UPI WAS NOT THE FIRST TO SINGLE OUT CORRUPTION, MISMANAGEMENT AND THE "CERTAINTY" THAT HE WOULD BE VICTORIOUS. BY JUNE 16, THE MEDIA FOCUS HAD BEGUN TO TURN ELSEWHERE, PARTICULARLY TO PRESIDENT PEREZ' TRIP TO PANAMA. COMMENT: THE LEAKS HURT THE PRIDE OF BOTH PRESIDENT PEREZ AND AD CANDIDATE LUIS PINERUA ORDAZ AND MADE THE USG A FACTOR IN THE CAMPAIGN, AS WELL AS CALLING INTO QUESTION THE RELIABILITY OF THE USG IN MAINTAINING CONFIDENCES. WHILE MUCH OF THE FUROR WILL TEND TO FADE, THERE WILL PROBABLY BE A RESIDUE OF RESENTMENT WHICH COULD AFFECT FUTURE BILATERAL RELATIONS. END COMMENT.

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2. FEDECAMARAS ANNUAL MEETING.

FEDECAMARAS, UMBRELLA ORGANIZATION FOR THE VENEZUELAN PRIVATE SECTOR, IS HOLDING ITS THIRTY-FOURTH ANNUAL ASSEMBLY JUNE 11-17. THE ASSEMBLY CONSISTS OF A SERIES OF FORA COVERING ALL ASPECTS OF THE ECONOMY AND TRADITIONALLY SERVES AS AN OPPORTUNITY FOR THE PRIVATE SECTOR TO MAKE ITS CASE PUBLICLY FOR ACTIONS OR CHANGES IN POLICIES AND PRACTICES OF THE GOV. THE USUAL PLEAS WERE MADE FOR LESS GOV INTERVENTION IN THE PRIVATE ECONOMIC SECTOR AND FOR MORE CONSULTATION WITH BUSINESS ON MAJOR ECONOMIC POLICY DECISIONS. THE ASSEMBLY ALSO DISCUSSED SUCH ITEMS AS MORE CREDIT ON LESS RESTRICTIVE TERMS FOR CONSTRUCTION (PRESENT FINANCING IS LIMITED TO A MAXIMUM OF BS. 1,500 (\$350) A SQUARE METER); RELIEF FOR INDUSTRIES, PARTICULARLY IN THE CONSUMER GOODS SECTOR, WHOSE PRODUCTS ARE SUBJECT TO PRICE CONTROL; AND A GREATER SHARE OF CAPITAL GOODS FOR VENEZUELAN PRODUCERS IN GOV INDUSTRIAL AND INFRASTRUCTURE PROJECTS. THE ASSEMBLY ALSO PROVIDES AN OPPORTUNITY FOR LOCAL INTERESTS TO PUSH PET PROJECTS SUCH AS CLEANING UP LAKE VALENCIA. ONE THEME WHICH HAS TENDED TO APPEAR

REPEATEDLY IN THE DISCUSSIONS IS EXCESSIVE GOVERNMENT REGULATION OF THE PRIVATE SECTOR, REFLECTED IN THE LARGE NUMBER OF PERMITS REQUIRED FOR ALMOST EVERY TYPE OF BUSINESS ACTIVITY. THIS "/PERMITOLOGY" IS CITED AS THE CAUSE OF DELAYS IN INDUSTRIAL, INFRASTRUCTURE, AND COMMERCIAL OPERATIONS AS WELL AS A SOURCE OF ADMINISTRATIVE CORRUPTION. (SEPTTEL FOLLOWS)

3. DEVELOPMENT CORPORATION FINANCING TO TOTAL \$327 MILLION IN 1978.

ON THE 32ND ANNIVERSARY OF THE FOUNDING OF CORPORACION VENEZOLANA DE FOMENTO (CVF), CVF PRESIDENT JOHNNY PHELPS PREDICTED THAT HIS INSTITUTION WOULD MAKE AVAILABLE THIS YEAR A CONFIDENTIAL

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TOTAL OF BS. 1,400 MILLION (\$327 MILLION), PRIMARILY FOR METAL MECHANICAL, AGROINDUSTRIAL, CEMENT AND FISHERIES/PORTS PROJECTS. DURING ITS HISTORY, CVF HAS MADE AVAILABLE OVER BS. 15 BILLION (\$3.4 BILLION) IN FINANCING FOR A WIDE RANGE OF PROJECTS. ACCORDING TO PHELPS, CVF'S MAJOR CURRENT COMMITMENTS INCLUDE THE FOLLOWING:

-- IN CONJUNCTION WITH PRIVATE INSTITUTIONS, CO-FINANCING A BS. 190 MILLION (\$44 MILLION) PLANT TO PRODUCE VALVES AND RELATED PRODUCTS REQUIRED BY THE PETROLEUM AND STEEL INDUSTRIES.

--PARTIAL FINANCING FOR THREE CEMENT PLANTS REPRESENTING A TOTAL INVESTMENT OF MORE THAN BS. 1,000 MILLION (ONE MILLION).

--FINANCING ASSISTANCE FOR A COFFEE CONCENTRATION PLANT AND A POTATO PROCESSING PLANT IN TACHIRA.

--ASSISTANCE FOR THE DEVELOPMENT OF THE FISHING INDUSTRY IN EASTERN VENEZUELA. PHELPS ALSO ANNOUNCED THAT CVF IS CURRENTLY NEGOTIATING A BS. 250 MILLION (\$58 MILLION) LOAN. THE FUNDS ARE FOR THE FONDO DE CREDITO INDUSTRIAL, WHICH HAS JUST BECOME AN AUTONOMOUS INSTITUTION.

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FM AMEMBASSY CARACAS
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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 5565

USCINCLANT FOR POLAD

4. ELECTION BITS AND PIECES.

INDEPENDENT PRESIDENT CANDIDATE DIEGO ARRIA AND MORENA CHIEF LEONARDO MONTIEL ORTEGA OFFICIALLY LAUNCHED THEIR CAMPAIGNS. ARRIA USED THE MINISCULE "WORKERS MOVEMENT" TO ANNOUNCE HIS CANDIDACY SINCE IT HAS LEGAL STANDING AS A REGISTERED PARTY WITH THE SUPREME ELECTORAL COUNCIL. IN FACT, ARRIA WILL USE HIS OWN ORGANIZATION "COMMON CAUSE," AS HIS PRINCIPAL CAMPAIG VEHICLE. MONTIEL ORTEGA TOLD HIS SMALL NATIONAL RENOVATION MOVEMENT (MORENA) THAT HIS CANDIDACY WOULD TEACH A LESSON TO THE POLITICAL DINOSAURS AND THAT THE FIRST "RENOVATION" HIS PARTY NEEDS IS MORE FINANCING. SUBTLE AS EVER, MONTIEL GAVE THE PARTY'S PHONE NUMBER TO THE PRESS FOR THOSE WHO MIGHT WANT TO CONTRIBUTE IMMEDIATELY. SPECULATION IS MORENA WILL EVENTUALLY MAKE A DEAL AND SUPPORT AD. MEANWHILE, HIS FORMER MENTOR, URD PARTY HEAD JOVITO VILLALBA, IS EXPECTED TO ANNOUNCE SOON THAT HE AND HIS PARTY WILL SUPPORT COPEI'S CANDIDATE, HERRERA.

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AD'S BIGGEST GUN, ROMULO BETANCOURT, TOOK TO THE HUSTINGS LAST WEEK IN LARA STATE (BARQUISIMENTO) MAKING SPEECHES AND GOING DOOR TO DOOR FOR HIS PARTY'S CANDIDATE, PINERUA. IN ADDITION, ALL THE POLITICAL PARTIES IN THE FEDERAL DISTRICT SIGNED A PACT TO RESPECT EACH OTHER'S CAMPAIGN PROPAGANDA, NOT TO DISFIGURE TREES AND NOT TO DRINK EXCESSIVELY DURING RALLIES IN PUBLIC PLACES. THE CSE ALSO SAID THIS WEEK THAT IT HAS REGISTERED 350,000 NEW

VOTERS AND THAT A LEAST 300,000 MORE REMAIN TO BE PROCESSED. IF ALL NEW VOTERS REGISTER, THE TOTAL ELECTORATE WILL BE CLOSE TO 6 MILLION. COMMENT: ARRIA'S PROCLAMATION DID NOT BEGIN AUSPICIOUSLY. FIRST, THE PROCESS WAS HELD UP FOR HALF AN HOUR WHILE THE PARTY MEMBERSHIP PRODUCED PARTY CARDS TO IDENTIFY THEMSELVES BECAUSE SOME OFFICIALS OF THE "WORKERS MOVEMENT" CHALLENGED TH RIGHT OF ARRIA TO RUN ON THEIR TICKET. ALSO, THE PRESS PUBLISHED THE RESULTS OF A GAITHER POLL (USED BY AD) DEMONSTRATING THAT ARRIA COULD GARNER ONLY ONE PERCENT OF THE VOTES IN CARACAS AND POSSIBLY 100,000 NATIONWIDE. (IF TRUE THIS WOULD BE DISASTROUS FOR ARRIA'S POWER AND PRIDE). FINALLY, ARRIA'S PRESS AIDE COMPLAINED THAT ARRIA'S CAMPAIGN HAS BEEN SUBJECT TO ELECTRIC FAILURES AND OTHER HARASSMENT. BETANCOURT'S RE-EMERGENCE ON THE STUMP IN LARA, AND SOON IN ZULIA, ANOTHER KEY STATE WITH A LARGE ELECTORATE, DEMONSTRATES THAT AD REALIZES THAT THE ELCTION WILL BE WON OR LOST IN THE CENTRAL VALLEYS (CARACAS, LARA, ARAGUA, CARABOBO) AND IN ZULIA--WHICH HAVE MORE THAN HALFTHE NATION'S POPULATION. IN THESE AREAS (EXCEPT FOR ZULIA) THE POLLS INDICATE THAT HERRERA IS VIRTUALLY EVEN WITH PINERUA AND AD IS CLEARLY TAKING NO CHANCES. THE CARACAS PROPAGANDA PACT IS A FIRST IN VENEZUELAN HISTORY. WHETHER IT REPRESENTS MORE THAN GOOD INTENTIONS REMAINS TO BE SEEN. FINALLY, WE UNDERSTAND THAT THE CSE HAS QUIETLY

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AGREED TO EXTEND UNTIL JULY 31 THE VOTER REGISTTRATION PERIOD BUT WILL NOT ANNOUNCE THIS UNTIL THE END OF JUNE (THE PRESENT CLOSING DATE) TO MOTIVATE VOTERS TO DO SO EARLY. TRADITIONALLY, VENEZELANS WAIT UNTIL THE LAST MINUTE TO REGISTER SO THAT THE FIGURES OF 350,000 REGISTERED OUT OF APPROXIMATELY ONE MILLION NEW VOTERS IS NOT WORRISOME.

END COMMENT.

5. VENEZUELA'S 1978 AGRICULTURAL OUTLOOK: SHAKY AT BEST.

ADVERSE WEATHER IN PRIMARY FARM REGIONS IS HINDERING VENEZUELA'S EXPANSION EFFORTS IN THE AGRICULTURAL SECTOR. FOR RICE, CORN, AND SORGHUM, IT IS STILL TOO EARLY TO PROJECT CROP OUTPUTAM BUT FOR SESAME, PEANUTS, TOBACCO AND BLACK BEANS, ADVERSE WEATHER HS CUT PRODUCTION PROSPECTS FOR 1978 SUBSTANTIALY. IN ADDITION, THERE ARE INDICATIONS THAT BEEF, PORK, POULTRY, EGGS AND POWERED MILK ARE GOING TO BE IN SHORT SUPPLY. WHILE WEATHER IS PARTIALLY RESPONSIBLE FOR LACK OF SUFFICIEN FEED, THE GOVERNMENT'S AGRICULTURAL PROGRAM IS TAKING THE BRUNT OF BLAME. PRODUCERS AND PROCESSORS, ALONG WITH OPPOSITION PARTY LEADERS, CITE LACK OF PRICE INCENTIVE AS A MAJOR DETERRENT TO INCREASING FOOD AND AGRICULTURAL OUTPUT. AS IN THE PAST, VENEZUELA IN 1978

WILL DEPEND ON IMPORTS FOR BASIC FOOD ITEMS. RECENTLY, THE GOV AUTHORIZED IMPORATION OF BLACK BEANS, PORK MEAT, AND CANNED SARDINES WITHOUT RESTRICTION. IF THE FOOD SITUATION WORSENS, IT IS LIKELY THE GOV WILL EXTEND THIS LIST TO COVER OTHER ITEMS.

6. PRC DELEGATION VISITS.

A HIGH-LEVEL PRC DELEGATION HEADED BY VICE-CHAIRMAN CHI PENG-FEI MADE AN EXTENSIVE ONE WEEK TOUR OF VENEZUELA BEGINNING JUNE 8. THE GROUP WAS EXPANSIVELY RECEIVED AND MET WITH NUMEROUS BUSINESS AND POLITICAL LEADERS, INCLUDING PRESIDENT PEREZ. (SEE SEPTTEL). A TEAM OF OIL EXPERTS HAVE
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REMAINED BEHIND TO IVESTIGATE THE MAIN PETROLEUM FIELDS, ESPECIALLY THOSE PRODUCING HEAVY CURDE.

7. OTHER REPORTING THIS WEEK INCLUDED THE COMPOSITION OF OASGA DELEGATIONS (CARACAS 5330 AND 5512) THE BRIEFING PAPERS LEAK (CARACAS 5335, 5338, 5339, 5340, 5389, AND 5438), BIO INFORMATION ON VENEZUELAN AMBASSADOR TO AUSTRIA (CARACAS 5378), REQUEST FOR DISASTER RELIEF MATERIALS (CARACAS 5386), REQUEST FOR LANDSAT IMAGERY (CARACAS A-60) IMPORT RESTRICTIONS--REGULATION OF OFFICIAL IMPORTS (CARACAS A-62) CIVAIR: PANAM CAPACITY INCREASE ON ALL CARGO SERVICE TO MARACAIBO (CARACAS 5458), LATIN AMERICAN REACTION TO SOVIET AND CUBAN ROLE IN AFRICA (CARACAS 5470).
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